

Alternative Measures of Household Income

Three of the most widely used measures of household income are BEA's measure of personal income, the Census Bureau's measure of money income, and the Internal Revenue Service's measure of adjusted gross income of individuals.¹

Personal income, in general, is a more comprehensive measure. For both the national and regional accounts, personal income is defined as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. These measures of personal income include the incomes of individuals, of nonprofit institutions that primarily serve individuals, of private noninsured welfare funds, and of private trust funds.

Money income consists of income in cash and its equivalents that is received by individuals. It excludes, but personal income includes, employer contributions for employee pension and insurance funds, lump-sum payments except those received as part of earnings, certain in-kind personal current transfer receipts—such as Medicaid, Medicare, and food stamps—and imputed income.² Money income includes, but personal income excludes, personal contributions for government social insurance, income from government employee retirement plans and from private pensions and annuities, and income from regular interpersonal transfers, such as child support.

In addition, personal income at the national, state, and local area levels is presented annually on a per capita (or simple average per person) basis. Money income at the

national level is presented annually both on a per capita basis and on a median household basis; median money income for states from the Current Population Survey is presented annually as 2- and 3-year averages.³ State personal income is not adjusted for inflation, but the national estimates of money income are available in inflation-adjusted dollars, using the consumer price index.⁴

Adjusted gross income (AGI) is taxable income prior to exemptions and the standard or itemized deductions that is reported by individuals on their Federal income tax returns. It includes, but personal income excludes, personal contributions for social insurance, gains and losses on the sale of assets, and income from government employee retirement plans and from private pensions and annuities. AGI excludes, but personal income includes, the income of the recipients of taxable incomes who, legally or illegally, did not file an individual income tax return. In particular, AGI excludes the income of many individuals with low incomes who are exempt from filing tax returns. Additionally, adjusted gross income excludes certain types of income that are not taxed—such as tax-exempt interest and nontaxable transfer payments, including Medicare, Medicaid, and welfare benefit payments—and it includes the taxable portion of social security benefit payments.

3. For local areas, the most recent estimates of money income, for 2002, are median household income estimates from the Small Area Income and Poverty Estimates.

4. At the national level, BEA also presents real per capita disposable personal income (DPI). (DPI is personal income less personal tax payments; real DPI is DPI divided by the implicit price deflator for personal consumption expenditures.) For the sources of the prices used for this deflator, see "Updated Summary of NIPA Methodologies," SURVEY 84 (November 2004): 28–29.

Alternative Measures of Per Capita Income

[Dollars]

	2002	2003	2004
State personal income ¹	30,804	31,472	32,937
Money income ²	22,794	23,276	n.a.
Adjusted gross income (AGI) ³	20,974	21,366	n.a.

n.a. Not available

1. Bureau of Economic Analysis; <www.bea.gov>.

2. Census Bureau, Current Population Survey (CPS); <www.census.gov>. Uses the total civilian noninstitutional population on March of the following year.

3. The Internal Revenue Service (IRS) does not prepare per capita AGI, which is calculated as aggregate IRS AGI (less deficit) divided by Census Bureau total population; <www.irs.gov>.

1. See John Ruser, Adrienne Pilot, and Charles Nelson, "Alternative Measures of Household Income: BEA Personal Income, CPS Money Income, and Beyond" at <www.bea.gov/bea/about/fesac/AlternativemeasuresHHincomeFESAC121404.pdf>; the Census Bureau's *Income, Poverty and Health Insurance in the United States: 2003*; the Internal Revenue Service's annual *Individual Income Tax Returns*; and Mark A. Ledbetter, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income," SURVEY OF CURRENT BUSINESS 84 (November 2004): 9–14.

2. Imputations are added to personal income in both the national and regional measures so that a comprehensive account of total production and its distribution can be presented. For a description of these imputations, see *State Personal Income Methodology, 1998–2003* at <www.bea.gov/bea/regional/articles/spi2003/12.%20Technical%20Notes.pdf>.

Tables 1 through 5 follow.